

Message Text

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SUBJ: HISTADRUT REACTION TO THE 1976-77 DRAFT BUDGET

REF: TEL AVIV 7925, 7684

SUMMARY: ALTHOUGH HISTADRUT COMPLAINS THAT IT HAD BEEN INADEQUATELY CONSULTED DURING PREPARATION OF DRAFT BUDGET, IN RECOGNITION OF ISRAEL'S SERIOUS ECONOMIC SITUATION IT WILL MINIMIZE DEMANDS FOR ADJUSTMENTS. IN RETURN FOR ITS COOPERATION, IT WANTS HOWEVER A GREATER VOICE IN NEW TAX MEASURES AND SUBSIDY CUTS TO BE INSTITUTED, GREATER EFFICIENCY IN TAX COLLECTION, AND ASSURANCES THAT PLANNED LEVELS OF UNEMPLOYMENT BE MINIMIZED. ON THE WAGE FRONT IT IS WILLING TO ACCEPT A 4-5 PER CENT CUT IN REAL EARNINGS, WITH THE PRINCIPAL BURDEN ON SERVICE EMPLOYEES. END SUMMARY.

1. HISTADRUT LEADERS TOLD LABATT ON DECEMBER 16 THAT THEY EXPECT THE DRAFT BUDGET AS PRESENTED BY FINANCE MINISTER RABINOWITZ ON DECEMBER 14 TO BE SUBSTANTIALLY APPROVED WITH ONLY MARGINAL ADJUSTMENTS STILL TO BE NEGOTIATED WITHIN THE ESTABLISHED CEILING OF IL 84.25 BILLION. ALTHOUGH HISTADRUT AND A NUMBER OF CABINET MEMBERS SHARE RESERVATIONS REGARDING SPECIFIC PROVISIONS, THE LABOR LEADERSHIP FEELS THAT GENERAL AWARENESS OF THE LIMITED OFFICIAL USE

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CURRENT SERIOUSNESS OF ISRAEL'S DEBT AND BALANCE OF

PAYMENTS DIFFICULTIES AND GOI DETERMINATION TO RESIST RAISING THE BUDGET CEILING WILL RESTRAIN THE OPPOSITION AND ENABLE THE GOVERNMENT TO PASS THE BUDGET ESSENTIALLY AS PROPOSED.

2. HISTADRUT IS UNHAPPY THAT IT HAD NOT BEEN FULLY CONSULTED DURING THE DRAFTING OF THE BUDGET DESPITE PRIOR PROMISES. IT PLANS TO CONCENTRATE ITS CHALLENGE ON PROVISIONS REGARDING UNEMPLOYMENT, TAXES, AND SUBSIDIES. SHOULD THE FINANCE MINISTER PROVE TOO RIGID, HISTADRUT WOULD TAKE ITS CHALLENGE OF THE MORE CONTROVERSIAL PROPOSALS TO THE "COMMITTEE OF 21" CONSISTING OF THE CHAIRMAN OF KNESSET FINANCE COMMITTEE AND CABINET MEMBERS RESPONSIBLE FOR FISCAL, ECONOMIC, SOCIAL, AND LABOR AFFAIRS, AND LEADERS OF THE ALIGNMENT PARTIES AND THE HISTADRUT. BY AGREEMENT, DECISIONS OF THIS COMMITTEE ON ECONOMIC POLICY BECOME BINDING ON GOVERNMENT POLICY. HISTADRUT WAGE DEMANDS WILL BE MODERATE, FITTING WITHIN THE PROPOSED OVERALL POLICY OF ECONOMIC RESTRAINT.

3. UNEMPLOYMENT - HISTADRUT FEARS THAT BUDGET PROPOSALS TO PERMIT UNEMPLOYMENT RISE TO 60,000 - 70,000 LACK SAFEGUARDS AGAINST FURTHER INCREASES. PSYCHOLOGICAL EFFECT OF DETERIORATING EMPLOYMENT SITUATION COULD ACCELERATE EMIGRATION OF SKILLED MANPOWER. HISTADRUT OBJECTS ALSO TO EMPLOYMENT OF SKILLED MANPOWER. HISTADRUT OBJECTS ALSO TO EMPLOYMENT CUT OF OVER 20,000 CONSTRUCTION WORKERS THROUGH REDUCTIONS IN BUILDING SECTOR AFFECTING MOSTLY ARAB WORKERS. THIS WOULD CREATE NEW TENSIONS BETWEEN JEWS AND ARABS AND PUT UNFAIR BURDEN ON POOREST ELEMENTS. MOREOVER, ONCE BUILDING WORKERS SHIFT TO OTHER OCCUPATIONS, THEY WOULD NOT BE AVAILABLE WHEN HOUSING CONSTRUCTION RESUMES. RE PROPOSED PUBLIC EMPLOYMENT CUTS, HISTADRUT WANTS THIS DONE BY ATTRITION, ASKING WHY GOI HIRED 12,000 NEW PEOPLE IN 1975. HAD THERE BEEN GREATER RESTRAINTS, INFLATED PUBLIC PAYROLL WOULD NOW BE LESS OF A PROBLEM. HOWEVER, HISTADRUT WILL OFFER TO MODIFY CURRENT PUBLIC SERVICE SENIORITY RULES FOR YOUNG PERSONS WITH SHORT SERVICE WHO COULD BE RETRAINED AND SHIFTED TO OTHER JOBS.

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4. SUBSIDIES - HISTADRUT ACCEPTS SUBSIDY REDUCTIONS, BUT WANTS A VOICE IN DECISION AS TO WHICH SUBSIDIES TO REDUCE AND WHICH TO ELIMINATE. IT ESSENTIALLY WANTS TO MINIMIZE SUBSIDY CUTS FOR FOOD, BUT ACCEPTS THOSE PROPOSED FOR MOST SERVICES. IT WILL NOT FIGHT PROPOSED TUITION CHARGES FOR STUDENTS IN THE NINTH AND TENTH GRADES OF THE PUBLIC SCHOOL SYSTEM, CUTS IN SCHOOL LUNCH PROGRAMS, OR INCREASES IN CONTRIBUTIONS TO HEALTH SERVICES,

SOCIAL INSURANCE, AND MINICIPAL TAXES.

5. TAXES - HISTADRUT AGREES TO PROPOSED VALUE ADDED TAX, BUT WANTS LOW RATE STRUCTURE, EXEMPTIONS FOR FOODS AND DRUGS, AND SEPARATE LOWER RATES FOR HEALTH SERVICES AND NON-PROFIT ORGANIZATIONS. IT FURTHER ASKS FOR SPECIAL TAX BENEFITS TO ENTERPRISES EARNING FOREIGN EXCHANGE AND TO THEIR EMPLOYEES, BUT ADVOCATES TAXATION OF GAINS FROM INFLATION LINKED SECURITIES, A ONE-TIME 15 PER CENT PROPERTY TAX, AND NEW LEGISLATION MAKING TAX COLLECTION, ESPECIALLY FROM SELF-EMPLOYED AND SMALL BUSINESSES, MORE EFFECTIVE. HISTADRUT STRONGLY BELIEVES THAT A MORE EFFICIENT AND EQUITABLE TAX SYSTEM IS ESSENTIAL FOR OBTAINING WAGE EARNERS' CONSENT TO AUSTERITY MEASURES AND ARGUES THAT TAPPING OF NEW TAX SOURCES WOULD MAKE BUDGET CEILING MORE FLEXIBLE, THUS EASING BUDGET EFFECT ON EMPLOYMENT AND SOCIAL SERVICES. HOWEVER, GOI ARGUES THAT HISTADRUT EXAGGERATES POTENTIAL IS NEW TAX SOURCES AND FEARS THAT IF LATTER'S PROPOSAL IS FULLY IMPLEMENTED IT WOULD DISCOURAGE INVESTMENTS.

6. WAGES - HISTADRUT PROPOSES TO RAISE THE MINIMUM NET WAGE FROM THE PRESENT IL 879 PER MONTH TO IL 1050 OR 50 PER CENT OF AVERAGE CURRENT NET WAGE. MAXIMUM INCREASE FOR ALL OTHER WORKERS IS TO BE SET AT IL 150-200, RATHER THAN AT PERCENTAGE FIGURE. ACTUAL INCREASES ARE TO BE NEGOTIATED SEPARATELY BY EACH UNION. THUS WORKERS IN INDUSTRY WOULD RECEIVE PROPORTIONALLY HIGHER INCREASES THAN HIGHER PAID WORKERS IN SERVICES AND CONTROVERSIAL FREEZING OF PUBLIC SERVICE WAGES RECOMMENDED BY FINANCE MINISTER WOULD BE OBIATED. THE INCREASES ARE TO BE GRANTED IN ADDITION TO AUTOMATIC COST OF LIVING ADJUSTMENTS OF 70 PER CENT OF INFLATION DUE IN APRIL AND OCTOBER 1976.
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IN LIGHT OF INFLATION RATE OF 25 PER CENT IN 1975 AND 30 PER CENT EXPECTED IN 1976, HISTADRUT CALCULATES THAT ITS PROPOSAL WOULD CONSTITUTE AVERAGE CUT IN 1976 REAL EARNINGS OF 4-5 PER CENT, WITH INDUSTRIAL WORKDERS MAINTAINING MOST OT THEIR PURCHASING POWER WHILE OTHERS TAKE 7-8 PER CETNT CUT.

7. LABOR RELATIONS POLICY - ACCORDING TO BEN ISRAEL, MEMBER OF HISTADRUT EXECUTIVE AND CHAIRMAN OF TRIPARTITE COMMITTEE OF EXPERTS ON LABOR RELATIONS REFORMS, HISTADRUT PLANS TO CHECK PRESSURES FOR WAGE INCREASES AT ENTERPRISE LEVELS BY IMPOSING NEW DISCIPLINARY RULES ON LABOR COMMITTEES, WHICH HAVE BEEN PRINCIPAL SOURCE OF RECENT LABOR CONFLICTS. AT SAME TIME HISTADRUT LEADERSHIP INTENDS TO REDUCE ITS MEDIATING ROLE IN DEADLOCKED LABOR CON-

FLICTS AT GOI AND EMPLOYER REQUESTS. THUS IT HOPES TO
INDUCE BOTH GOVERNMENT AND MANAGEMENT TO ASSUME GREATER
SHARE OF RESPONSIBILITY FOR LABOR RELATIONS AND TO
BECOME MORE EFFICIENT IN DEALING WITH EMPLOYEES. HISTADRUT
BELIEVES THAT WHILE NEW APPROACHES MAY LEAD TO INITIAL
INCREASE OF CONFLICTS, IN LONGER RUN IT WILL STABILIZE
LABOR RELATIONS AND STRENGTHEN ITS OWN ROLE.
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